

Executive Registry

85- 2178/1

31 MAY 1985

MEMORANDUM FOR: Deputy Director of Central Intelligence

FROM:

Director of Global Issues

SUBJECT: Conference on Structural Change

1. Action: None.

2. Background: Attached is a briefing book for our 3-4 June conference on Economic and Security Implications of Structural Change. Also attached are suggested talking points for your closing remarks to the conference on the afternoon of Tuesday, 4 June.

3. Attending the conference will be 49 Agency participants; 23 other-agency participants; and 28 outside speakers, panel members and guests, for a total of 100.

4. You should be aware that the conference proceedings will be videotaped and transcribed in their entirety, and we shall accordingly be asking permission of all participants for the same. Edited versions of the video and transcript will be made available following the conference to those who are unable to attend.

Attachments:
As stated

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“ Distribution:

Orig - Addressee

1 - Ex. Reg.

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SUGGESTED TALKING POINTS FOR THE DEPUTY DIRECTOR

Closing Remarks

Conference on Structural Change

The Washington Hilton, Washington, D.C.

4:20 p.m., 4 June 1985

I think one point that clearly emerges from the discussions here over the past two days is that structural change poses some very serious challenges to the position of the United States in the world today -- and in the world of the near-term future. Those challenges will have to be faced, and preferably sooner rather than later.

What concerns me most in all of this is whether structural change -- here in this country, or as it unfolds elsewhere -- can undermine US competitiveness. I am greatly concerned about the decline in US industrial competitiveness, and its effects on US capabilities to develop and produce next-generation military systems.

Not only is this a problem in the context of US competitiveness, but to some extent we have to share the concerns of our European allies about their longer-term abilities to meet

their NATO obligations -- in a technological as well as a financial sense.

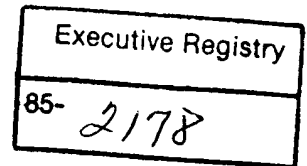
These are serious threats to this country's national security interests -- in fact, it is possibly the most important security issue the United States faces today. In some sense it even overrides the military threat posed by the Soviet Union -- which we have extensively analyzed over the years, and feel we understand fairly well.

That is not the case when it comes to the problem of structural change. The present and potential threats presented by structural change are ones we have only begun to analyze. I feel this conference has begun the process of remedying the problem. It has served the useful function of setting out some of the questions we in the Intelligence Community must now address. I personally am committed to seeing that our Agency will actively embark on research in this area.

I also feel that this conference has provided a forum to begin a dialogue -- a dialogue among many people in government and the academic community, in research institutions and private industry who can provide valuable insights and perspective in this area. I hope this dialogue will continue among those of you who are here today. I also hope it will expand well beyond this gathering. You have my assurance that we will do all we can to ensure that it does.

In closing, I want to express my appreciation and that of my associates for the time, effort, and interest of our invited speakers and guests who have made this conference both comprehensive and thought-provoking. I believe you will share my impression that it has indeed been challenging, as Director Casey had hoped in his remarks yesterday.

Ladies and gentlemen, thank you for attending. Good day.



31 MAY 1985

MEMORANDUM FOR: Director of Central Intelligence

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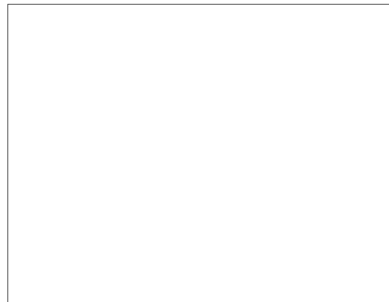
1. Action: None.

2. Background: Attached is a briefing book for our 3-4 June conference on Economic and Security Implications of Structural Change. Also attached are suggested talking points for your welcoming remarks to the conference on the morning of Monday, 3 June.

3. Attending the conference will be 49 Agency participants; 23 other-agency participants; and 28 outside speakers, panel members and guests, for a total of 100.

4. You should be aware that the conference proceedings will be videotaped and transcribed in their entirety, and we shall accordingly be asking permission of all participants for the same. Edited versions of the video and transcript will be made available following the conference to those who are unable to attend.

Attachments:
As stated



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SUGGESTED TALKING POINTS FOR THE DIRECTOR

Welcoming Remarks

Conference on Structural Change

The Washington Hilton, Washington, D.C.

9:00 a.m., 3 June 1985

Good morning, ladies and gentlemen, and welcome to our conference on Economic and Security Implications of Structural Change.

We have seen the world undergoing profound changes in the past few decades -- changes on a scale that used to take centuries to unfold. Many of these changes are sparked by advances in technology, and the pace of that advancement keeps accelerating.

Some examples of this process come to mind:

- o Following the vigorous growth and "economic miracles" of the Marshall Plan years, our West European allies have recently been experiencing painful combinations of sluggish growth, chronically high unemployment, and political conflict in depressed regions.

- o Several factors underlie these adjustment problems:
 - lack of labor mobility
 - disincentives for business to fire outmoded labor
 - burdens of social spending and unemployment
 - the need for capital formation
- o On the other hand, despite wartime devastation and population pressures, Japan and the newly-industrialized countries of East Asia accomplished one of history's most dramatic transformations out of developing-country status.
- o In Japan, a different form of structural adjustment is needed -- but it is a structural problem all the same:
 - excessive domestic savings relative to investment continue to force Japanese industry into export markets;
 - Japanese domestic growth not related to foreign sales is lagging;
 - along with the strength of the dollar, this is the broader context of our problems with Japan.

I, for one, am not satisfied that we in government have focused on the problem of structural change and approached it as systematically as we should, in a way that leads to realistic policy options. I think it is and will continue to be one of our priority issues.

There are obvious constraints on what the Intelligence Community can realistically do in this area. Our priorities are often pulled by current policy needs, but we have got to do a better job of analyzing long-term issues -- of not missing the forest for the trees in producing current intelligence.

For this reason, I strongly feel we need to take careful measure of the structural changes taking place in the world today, as well as the need for and feasibility of alternative forms of policy response and adjustment. Let there be no doubt about it: these changes and/or the absence of an appropriate policy response can and do affect the national security interests of the United States. They affect our capabilities at home. They affect our ability to deal with countries overseas. And they will affect how this country fares over the next quarter-century.

An undertaking on this scale needs to have some order imposed on it. We need to know what the important questions are. We need to have enough of a grasp of the implications that we can set our priorities for analyzing them. We need to understand how the various parts of the problem interact. That is what I personally hope this conference will achieve.

And so, in welcoming you this morning, let me also challenge you. The issues and problems before you are not simple, and no simple answers should be forthcoming. But over the course of the next two days, I look to this distinguished group to shed some light on the many dimensions of structural change -- on what they mean, what we need to analyze and understand about them.

I think you will find the program an interesting one. I look for a thorough exchanging of ideas, not a consensus. I want you all to speak candidly.

Thank you for your interest, and welcome.

ROUTING AND RECORD SHEET

SUBJECT: (Optional)

Conference on Structural Change

FROM:

D/OGI

EXTENSION

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DATE

TO: (Officer designation, room number, and building)

DATE

OFFICER'S INITIALS

COMMENTS (Number each comment to show from whom to whom. Draw a line across column after each comment.)

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USE PREVIOUS EDITIONS

Economic and Security Implications of Structural Change

The Washington Hilton, Washington, D.C.

3-4 June 1985

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A. Conference Program

DAY I. TECHNOLOGY AND STRUCTURAL CHANGE

- B. Defining the Problem: The Determinants of Structural Change and its Inevitability
- C. Structural Change and the Future of the International Economic System
- D. Structural Change and International Competitiveness
- E. Structural Change and Adjustment to Competition in the Industrialized Countries: The Coming Trade Wars?
- F. Implications of Structural Change for Third World Economies: Winners and Losers

DAY II. GEOPOLITICAL IMPLICATIONS OF STRUCTURAL CHANGE

- G. Assessing Structural Change from the Standpoint of Intelligence Analysis
- H. Implications of Structural Change for the Western Alliance
- I. Structural Change and East-West Relations
- J. Structural Change and National Security: Implications for Strategic Vulnerability and Dependence